



NATIONAL ENDOWMENT FOR THE

Humanities

DIVISION OF EDUCATION PROGRAMS

Narrative Section of a Successful Application

The attached document contains the grant narrative and selected portions of a previously funded grant application. It is not intended to serve as a model, but to give you a sense of how a successful application may be crafted. Every successful application is different, and each applicant is urged to prepare a proposal that reflects its unique project and aspirations. Prospective applicants should consult the Education Programs application guidelines at <http://www.neh.gov/grants/education/summer-seminars-and-institutes> for instructions. Applicants are also strongly encouraged to consult with the NEH Division of Education Programs staff well before a grant deadline.

Note: The attachment only contains the grant narrative and selected portions, not the entire funded application. In addition, certain portions may have been redacted to protect the privacy interests of an individual and/or to protect confidential commercial and financial information and/or to protect copyrighted materials.

Project Title:	The History of Political Economy
Institution:	Duke University
Project Director:	Bruce Caldwell
Grant Program:	Summer Seminars and Institutes for College and University Teachers

TABLE OF CONTENTS

Narrative

Introduction	3
Intellectual Rationale	3
Content and Implementation	5
Project Faculty and Staff	19
Participant Selection	21
Institutional Support	22

Budget

Budget	23
--------	----

Appendices

Appendix A – Readings	24
Appendix B – Faculty Resumes	31
Bruce Caldwell, Director	
Bradley Bateman, Visiting Faculty	
Bilge Erten, Visiting Faculty	
Craufurd Goodwin, Faculty	
Ryan Hanley, Visiting Faculty	
Thomas Leonard, Visiting Faculty	
Steven Medema, Visiting Faculty	
E. Roy Weintraub, Faculty	
Carl Wennerlind, Visiting Faculty	
Appendix C – Evaluations, 2010 SI	55

INTRODUCTION

The proposal seeks funding for a three week summer institute to be held at Duke University in June 2013. The institute will explore various episodes in the development of the history of economic thought. It will build on the successes of an earlier institute held in 2010, while attempting to improve in those areas in which we received criticism. The intended audience is faculty in economics and the humanities who desire to explore economic knowledge in an historically informed fashion in their teaching but do not have the background to do so.

INTELLECTUAL RATIONALE

The rationale for the 2013 summer institute in terms of audience, content, and procedures is grounded in our reflections on what took place at the earlier institute. The intellectual rationale for the original 2010 institute was to renew professional interest among economists in the intellectual history of their discipline. The intended audience was principally economics faculty who might want to teach the subject but lacked the training and resources to do so. We were responding to the fact that the history of economic thought is disappearing as a subject within American economics departments. With five economists who specialize in the field on its faculty, Duke University is the chief exception to this trend. The Center for the History of Political Economy was established at Duke in fall 2008 with a mission of promoting and supporting research in, and the teaching of, the history of political economy. The summer institute is one way that we sought to fulfill our mission.

We applied to the NEH for the 2010 summer institute rather than to another funding agency because the history of economic thought is one of the few subjects in the curriculum where economists must connect economics to other disciplines within the humanities and social

sciences. One of the longstanding bestsellers on economics is a history of economics, Robert Heilbroner's *The Worldly Philosophers*. The force of its narrative is that economics developed over the centuries through people who did not see themselves as "economists," but as scholars trying to make sense of the social universe in the same way that natural philosophers were trying to make sense of the natural world. They were a diverse lot, with diverse interests. Adam Smith taught the principles of rhetoric and moral philosophy as well as those of "expediency." Many think of John Stuart Mill as a philosopher rather than an economist; he was both, and much else besides. John Maynard Keynes wrote a book on probability theory, and Friedrich Hayek one on the theory of mind. Revealing the roots of economic knowledge in humanistic understandings of social life has been a central theme for historians of economics.

In planning the 2010 institute we envisaged having about two thirds economists and the rest of the participants drawn from a variety of humanities disciplines. In fact the numbers were exactly reversed: 16 from the humanities and only 8 economists. (That the response from economists was so low is further evidence of the problem within economics.) This created a very different dynamic for the 2010 summer institute. There was less emphasis on the training of economists and much more discussion of how the material we were exploring fit in with perspectives from a variety of different fields. With the plurality of perspectives, it turned out to be an immensely stimulating intellectual encounter, and for most participants a rewarding one, as the evaluations amply demonstrate. Our goal for the 2013 summer institute is to replicate the best parts of the 2010 experience, while addressing any problem areas. The specific modifications we have undertaken are noted in the "Evaluations" section of this proposal. One that we will mention here is the decision to change from what was, essentially, a survey course to a more selective, in-depth treatment of topics. As such, instead of having three visiting faculty, each

staying a week, we have multiple visiting faculty who are specialists on the specific subject matter under discussion, each of whom will visit from 2 – 3 days.

CONTENT AND IMPLEMENTATION

The format of the 2013 summer institute is straightforward. The institute will run for three weeks, from Sunday June 2 through Friday June 21. Registration and a welcome dinner will take place on the first Sunday. For the first four days of the week there will be 2 sessions, each lasting roughly 2 hours (with a brief 5-8 minute break after the first hour), each day, one in the morning and one in the afternoon. On Fridays there will be only the morning session, and participants may do as they like on the weekends. The schedule permits ample time for reading and study. There will be a closing dinner on Thursday, June 20, and participants will leave for home after the morning session on June 21.

During the first week Bruce Caldwell will present a few lectures at lunchtime about some basic economic concepts and graphs. Attendance will be strictly voluntary. The intended audience is humanities professors who do not have much familiarity with economic concepts and jargon. A number of participants from the humanities in 2010 indicated that some sort of review would have been helpful. Some of the topics to be covered are opportunity cost and the production possibilities curve, the supply and demand diagram, the notion of elasticity of demand, the effects of price-fixing, and the notion of market failures. The use of the tools will be illustrated using concrete examples: e.g., trade-offs, gains from trade, the war on drugs, the effects of rent controls and minimum wage laws, policies for reducing pollution.

There will be a number of additional group activities, including an outing to see the Durham Bulls play an evening baseball game, a weekend pool party at a Duke faculty member's

residence, and a display and presentation by the Special Collections, Rare Books and Manuscripts librarian on the Economists' Papers Project (EPP) at Duke. The EPP houses an impressive collection of original documents, including the papers of eight Nobel prize-winning economists and those of the American Economic Association. We also anticipate informal discussions on topics that may come up during non-classroom hours.

Each week will have a different theme. Week one will explore alternative readings and understandings of key texts from the 17th and 18th centuries. The second week will examine alternative paradigms in economics that emerged in the 19th century. Week three will be devoted to the question of the role of the state in the economy as it played out in the writings of certain justifiably famous 20th century economists.

It will be evident that, to the extent that participants might be inspired to go on to teach the history of economics or in some way integrate what they have learned into their courses, the program outlined below is only a starting point. The Center for the History of Political Economy will provide various forms of follow-up and support. We are currently in the process of developing a range of resources for the community of teachers and researchers in the history of economics on our Center's website. One section contains syllabi, discussion questions, examination questions, and course handouts; another shows the practices of documentary research in the history of economics.

What follows is a more detailed account of topics to be covered at the summer institute.

Week One – Contending Readings of Episodes in the 17th and 18th Century

Day 1 – Introductory Sessions

Session 1 – Introduction of participants, discussion of goals and approaches – Bruce Caldwell

Session 2 – An exploration of historiographical issues – Roy Weintraub, a Duke faculty member whose article on the historiography of economics will be the reading, will lead the discussion.

Day 2 – Mercantilist Thought: 2 Views

Session 3 – An Economist’s Take on the Mercantilists – Bruce Caldwell

Session 4 – An Historian’s Take on the Mercantilists – Carl Wennerlind

The loose body of doctrines known as mercantilism emerged in the early modern period, together with the rise of the nation-state and the quest for national power. The mercantilists argued that the state grows strong by acquiring gold and silver, which led them to advocate protectionist policies – those promoting and subsidizing export industries, and limiting or taxing imports – that would lead to a net inflow of bullion.

Adam Smith and many subsequent economists criticized the mercantilists, claiming that 1) they confused wealth and money, 2) their policies, if successful, would simply create inflation, and 3) they failed to understand that there are gains from trade. Some historians have criticized those economists for offering too narrow a reading of the earlier writers and for their inattention to the political and economic context in which the most significant mercantilist pamphlets were authored. Moreover, some intellectual historians have argued lately that a fundamentally different intellectual culture emerged in the second half of the seventeenth century that revolutionized the way in which people thought about political economy. Bruce Caldwell will present the standard economist’s reading, and historian Carl Wennerlind will present an historian’s take on the period, issues, and writers.

As will be true for each session, the readings complement the planned areas for discussion. For this section the readings include excerpts from Thomas Mun’s *England’s Treasure by Forraign Trade*, two pieces by economists – Jacob Viner’s classic survey piece

“Mercantilism” and William Grampp’s “The Liberal Elements in English Mercantilism,” and Yale historian Steve Pincus’ recent piece, “Rethinking Mercantilism.” A more detailed description of all readings may be found in Appendix A.

Day 3 – David Hume, Enlightenment Polymath

Session 5 – David Hume, Philosopher and Social Theorist – Ryan Hanley

Session 6 – David Hume, Political Economist – Carl Wennerlind

David Hume was the preeminent figure of the Scottish Enlightenment, and indeed one of the most influential philosophers of the 18th century. In the first session political scientist Ryan Hanley will examine the relationship of his political economy to his philosophical contributions and commitments more generally. He will first introduce Hume’s epistemology, focusing on his unique brand of skepticism, as developed chiefly in the first book of his *Treatise of Human Nature* and the *Enquiry Concerning Human Understanding*. He will then examine how Hume developed these skeptical commitments in his more practical philosophy.

The second session, led by Carl Wennerlind, begins by looking at the roots of Hume’s political economy in his philosophical writings, in particular the *Essay Concerning the Principles of Morals*. Turning next to his *Political Discourses*, we will discuss the importance of “commerce, industry, and the arts” to Hume and explore how he believed they had the capacity to generate material abundance, greater political liberty, and improved morals. The session will conclude with a discussion of Hume’s controversial views on money.

Readings for these sessions include selections from Hume’s *A Treatise of Human Nature*, his *Essay Concerning the Principles of Morals*, and his *Political Discourses*, and an article by philosopher Margaret Schabas, “Hume on Economic Well-Being.”

Day 4 – Adam Smith

Session 7 – Adam Smith’s *The Theory of Moral Sentiments* – Ryan Hanley

Adam Smith, though largely known today as an economist, was regarded as one of the foremost moral philosophers of his age. Ryan Hanley will examine his first book and his major contribution to ethics, *The Theory of Moral Sentiments*, to provide the context necessary for an appreciation of his understanding of the relationship of economics to ethics. Readings and discussion will focus first on his foundational concepts of sympathy and spectatorship, each of which is central to Smith’s understanding of both the morals and the mechanisms of commercial society. We will also examine his theory of self-love and the desire to better our condition – itself a key element of his analysis of the motivations for commercial activity in the *Wealth of Nations* but which receives its most memorable explications in his corpus in the *Theory of Moral Sentiment*’s treatments of ambition. Finally, we will examine his theory of the virtue of justice, as well as the other character virtues, in order to set the stage for his analysis of the proper role of economics in a healthy and flourishing polity. Readings are from the relevant portions of *TMS*.

Session 8 – Adam Smith’s *Nature and Causes of the Wealth of Nations* I – Bruce Caldwell

We will work through parts of *The Wealth of Nations*, examining Smith’s arguments about the nature and causes of national wealth, which he tied to the division of labor, the expansion of trade, and capital formation. Smith praised competition and criticized monopoly, providing an analysis that will feel familiar to economics students today. But parts of Smith also deviate from modern conceptions. In his theory of value, for example, the exchange value of a good depends on its cost of production, instead of both cost of production (supply) *and* demand. His distinction between productive and unproductive labor has also fallen by the wayside. In this first session on *Wealth of Nations*, then, we will explore some elements of Smith’s work that would today sound familiar, and others that have been superseded. Readings include parts of

Books 1 and 2.

Day 5 – Adam Smith

Session 9 – Adam Smith and *The Wealth of Nations* II – Caldwell

In Book 4 of *Wealth of Nations*, Smith offered a sustained critique of mercantilist practices; it was in this context that he invoked the famous “invisible hand.” We will explore his characterization of the earlier literature, as well as the arguments he provides in the first two chapters of the book. We will then turn to Book 5, chapter 1, where Smith offers his views on the proper role of government. We will see that, contrary to many modern portrayals, Smith was no advocate of pure laissez-faire, offering instead a nuanced account of both the virtues of markets and the role of government in the economy.

Week 2 – Contending Paradigms in the 19th Century

We shift focus this week by concentrating on alternative approaches to understanding economic phenomena to that which emerged in the 20th century. This will benefit both younger economists, many of whom will not have been exposed in any systematic way to the ideas of Marx, and will not have heard of Carl Menger, the German Historical School, or institutionalism. The latter three will also typically be new territory for the humanities professors.

I wish to call special attention to our treatment of Marx. The recent global financial crisis has generated much new interest in Marx’s ideas about how crises occur under capitalism, and how they at times turn into crises of global proportions. Many economists, though, are ardent critics of Marxian economics, in particular his use of a labor theory of value in his theory of exploitation, and his apparent failure to provide a way to transform values into prices. (All of Marx’s analysis was in terms of values, whereas economists seek explanations of the

determination of prices.) Bruce Caldwell and Bilge Erten will co-lead the two day discussion on Marx, and their approach should be both provocative and intellectually stimulating. Currently a post-doctoral fellow at Columbia University, Bilge attended the 2010 NEH Summer Institute as a graduate student and very quickly emerged as one of the stars of the group. Bilge provided a spirited defense of the Marxian system with arguments that were clear even to those untutored in economics. Our sessions will touch on areas of Marx's specifically economic framework that are often ignored by those in the humanities who examine his contributions, and economists will be introduced to Marx and shown that even today reasonable economists (Erten and Caldwell!) can disagree about the value and relevance of his economic contributions.

Day 6 – Marx, Engels and Socialism

Session 10 – Introduction and Background on Hegel and Utopian Socialism – Bruce Caldwell

In this opening session we will motivate the approach we will take to the study of Marxism, identify the intellectual origins of the ideas of Marx and Engels in the ideas of Hegel and the utopian socialists, and begin to explore his theory of exploitation. The readings for this session are three of Marx and Engels' most well-known works, "The Communist Manifesto," "Marx on the History of his Early Opinions" (from the Preface to *A Contribution to the Critique of Political Economy*), and Engels' "Socialism: Utopian and Scientific."

Session 11 – Marx on Value, Exploitation, and Transforming Values into Prices – Bilge Erten

This session explains Marx's conceptions of value, use-value, and price, in order to answer the following questions: where does exploitation come from in a capitalist production system, and why is capitalism an economic system based on exploitation of labor power? How does capitalism differ from feudalism and slavery in its forms of exploitation? Why is exploitation the source of profits according to Marx? The rest of the session focuses on how

values are converted into prices, and whether there actually is a “transformation problem,” as critics of Marx claim. An overview of recent solutions and interpretations of this problem will question whether there is a logical flaw in the Marxian system of values and prices. Readings include excerpts from Marx’s “Wage Labor and Capital” and the first volume of *Das Kapital*, and two recent treatments of the transformation problem by writers sympathetic to Marx.

Day 7 – More on Marx

Session 12 – The Laws of Motion of the Capitalist System – Bruce Caldwell

Marx predicted that capitalism was ultimately doomed to collapse, and laid out the process in his description of the laws of motion of the capitalist system. Among his predictions were a falling rate of profit, an increase in the reserve army of the unemployed as capital is substituted for labor, business cycles of increasing intensity and duration, an increasing concentration and centralization of capital, and ultimately the awakening of class consciousness and violent revolution, followed by a gradual transition from a dictatorship of the proletariat to full communism. In this session we will examine and assess the veracity of Marx’s predictions, as well as the responses of both proponents and critics to those that seem not to have materialized. There are no new readings for this session.

Session 13 – Extensions, Applications: Primitive Accumulation and Crisis Theory – Bilge Erten

Extensions of Marxian political economy are explored by examining two core elements of Marx's analysis: primitive accumulation and his theories of crisis. We will first analyze the emergence of the capitalist system of production through primitive accumulation, and explain the relevance of this concept for explaining the expropriation of common resources in today’s world economy. Second, we will examine Marxian crisis theories, and review some recent analyses of the current crisis written from a Marxian perspective. The central objective is to explain the

relevance of Marxian political economy for today's economic and social problems. Readings for this session include excerpts from *Das Kapital* on primitive accumulation, an article by Anwar Shaikh, and parts of David Harvey's new book on capitalism and the Great Recession.

Day 8 – The Marginal Revolution and Its Detractors

The Marginal Revolution refers to the multiple discoveries of the marginal principle, which provides the foundation for modern day microeconomics. The three founders came from different countries and different intellectual traditions: William Stanley Jevons from England, Léon Walras from Switzerland, and Carl Menger from Austria. Accompanying the revolution was the rise of mathematical analysis in economics and an increasing professionalization of the field. All of this took place against the backdrop of the growth of cities, industrialization, rising labor agitation, and the emergence of new political parties advocating progressive social and economic legislation.

Session 14 – Background to the Marginal Revolution – Bruce Caldwell

Session 15 – The Austrian School and its Opponents – Bruce Caldwell

The first session will examine the origins of the Marginal Revolution, and address whether it was in fact a revolution, why it took place when it did, how it related to changes in the larger society, and the extent to which its mathematization made economics more “scientific.” Readings include classic pieces by Mark Blaug, “Was There a ‘Marginal Revolution’?,” Phil Mirowski, “Physics and the ‘Marginalist Revolution’,” and Roy Weintraub, “Burn the Mathematics (Tripos).”

Carl Menger was the founder of the Austrian School of economics, and from the very start the School faced opposition, first from the German Historical School economists (who thought that history, rather than theory, was the proper tool for studying society), and later from

socialists and positivists. Many of the complaints of the opponents are echoed in criticism leveled today against the economics profession: its preoccupation with theory, its assumptions of rationality and self-interested behavior, its neglect of history. The battles had theoretical, political, methodological, and academic dimensions, all of which will be examined in the second session. Readings are from Caldwell's book, *Hayek's Challenge*, on the Austrian movement.

Days 9 and 10 – American Institutionalism and the Progressive Era – Malcolm Rutherford and Thomas (“Tim”) Leonard

During the Progressive Era a pioneering band of American economists offered a new answer to the question of the relationship of the state to economic life. Their bold response was two-fold: the state should superintend and intervene broadly in voluntary commercial relationships, and government investigation and regulation should be guided, even directed, by university-trained experts informed by an approach to economics that eschewed the old theory and made use of new developments in fields like psychology and the “hard sciences.” The progressive economists and their reform allies played a leading role in the transformation of the state's role in the US economy, the establishment of economics as a university discipline, and the creation a new vocation, the expert economic advisor to government.

Many of the economists participating in this movement were critical of mainstream neoclassical economics and offered alternative approach to the discipline. The Institutionalists stressed “social control” and the centrality of institutions, customs, habits, and traditions in shaping the dynamics of economic life. For Institutionalists, the individual choices reflected larger social influences. Malcolm Rutherford, perhaps the best known historian of Institutionalism, will provide a revisionist look at the pivotal role of that group in the development of American thought and the economy. He will be joined by Princeton historian of

thought Tim Leonard. Readings will include excerpts from Rutherford's new book, one of Leonard's papers on the Progressive Movement, and a paper by the Nobel laureate economic historian Robert Fogel reflective on the role of economists in the American state.

Week 3 – The Role of the State in the Economy in the 20th Century

A fundamental question, one that has held a prominent place in the discourse of economists for well over a hundred years, has concerned the proper role of the state in the economy. Are there grounds, based in economic theory, that argue for more or less state intervention? One strand of literature within mainstream economics, that dealing with so-called “market failures,” argued for selective intervention in the economy. The problems that were targeted included 1) goods whose production or consumption produce negative externalities, where costs spill over onto third parties to a transaction (pollution is the prime example), 2) the provision of public goods, which would be under-produced in a pure market system, and 3) common resource problems or “the problem of the commons.” One part of the final week's discussions will focus on the emergence of this literature, as well as to its critique in the work of the British-born Nobel laureate Ronald Coase, with Steve Medema leading the discussion.

The financial crisis has seen a revival of interest in the ideas of the two great economic protagonists of the 20th century, John Maynard Keynes and Friedrich A. Hayek. Unfortunately, often the ideas of these two prominent figures are caricatured in the public press. The second part of the week's discussions will provide an in-depth look at what they really had to say. The main discussion leaders are Brad Bateman and Bruce Caldwell, but Craufurd Goodwin will also join us for a day.

Day 11 – The Emergence of the Analysis of Market Failure – Steve Medema

Sessions 19 and 20 will focus on how economic thinking evolved from the largely non-interventionist approach of the classical economists to the more interventionist orientation that ultimately came to characterize mainstream economics. The central figures in this story are three British thinkers, John Stuart Mill, Henry Sidgwick, and A.C. Pigou. The first step in the transition involved the elaboration of a greatly expanded theory of the failure of the system of natural liberty—akin to what we would today call “market failure”—as against the classical view. Mill was instrumental in this expansion, and it continued at the hands of Sidgwick. The second stage involved a move to a much more positive assessment of the possibilities of corrective policy actions undertaken by the state, and it was here that Sidgwick took center stage. All of this fed into a theoretical edifice constructed at the University of Cambridge by A. C. Pigou, author of the classic treatment of the field, *The Economics of Welfare*. His approach came to dominate mainstream economics during the middle third of the twentieth century. Readings include two chapters drawn from Medema’s *The Hesitant Hand*, and excerpts from Mill’s *Principles of Political Economy*, Sidgwick’s *The Theory of Political Economy*, and Pigou’s *The Economics of Welfare*.

Day 12 – Keynes and Hayek: A First Look

Session 21 – Keynes and Bloomsbury – Craufurd Goodwin

Besides being an economist, editor, policy advisor, and frequent contributor to the weeklies, John Maynard Keynes was a member of the then scandalous Bloomsbury group of writers and artists. In this session Duke faculty member Craufurd Goodwin will lead a discussion on Keynes’ Bloomsbury connection, and reflect on how it may have effected his contributions to economics. Goodwin is the major American collector of the art of the Bloomsbury group. Readings include two of Keynes’ essays and an article by Goodwin on Keynes and Bloomsbury.

Session 22 – Hayek in the Interwar Years: Keynes, Socialism, and the Knowledge Problem

In 1931 Friedrich Hayek came to teach at the London School of Economics. Within months he was embroiled in a debate with Keynes over their respective theories of how a monetary economy works, how it can break down, and what to do about it. In the mid-1930s as the world was spinning toward war Hayek opened up another front, this time contending with a group of academic socialists. By the end of the decade, Hayek was perceived to have lost both debates, yet he was also well on the way to developing his insights about how a well-functioning market system serves as a coordination mechanism in a world in which knowledge is dispersed. This session will trace out the development of his thought during this crucial decade. Readings will include two pieces by Hayek, and a piece by Caldwell on Hayek and Keynes.

Day 13 – Keynes and Coase

Session 23 – Keynes and Philosophy – Brad Bateman

Keynes had an extensive background in philosophy and this also shaped his work as an economist. His fellowship thesis at King's College, Cambridge was on the philosophy of probability and drew from his early interest in ethics, especially how people made decisions when they did not know with certainty what the outcome of their actions would be. His work in both ethics and philosophy was heavily influenced by the Cambridge philosopher G. E. Moore. This session will consider how two aspects of Keynes's work in philosophy affected his work in economics: his rejection of utilitarianism and his embrace of probability as degrees of belief, the latter playing a key role in his analysis of investment decision-making under uncertainty. Readings will include Keynes' 1926 piece, "The End of Laissez Faire," and two chapters from Bateman's book with Roger Backhouse on Keynes.

Session 24 – Market Failure Revisited: The Coase Theorem – Steve Medema

In his classic article, “The Problem of Social Cost,” Ronald Coase claimed that Pigou’s approach to market failure both understated the possibilities of markets and overstated the ability of government to deal with situations of market failure. This called for a fundamental rethinking of economic policy analysis—one that moved away from ideal types of economic theory and toward a more realistic and pragmatic approach. In developing his claims, an idea that was later to take on a life of its own, the “Coase theorem,” was born. The Coase theorem tells us (among other things) that, under certain restrictive conditions, private exchange will efficiently resolve problems of market failure—so that, contrary to a century of received wisdom, government intervention is unnecessary. The Coase theorem is a fiction, and was intended as such by Coase. The focus of our discussion will not be on the theorem per se, but on the forces that led the profession to fixate on this aspect of Coase’s analysis to the neglect of the more fundamentally important aspects of the challenge posed by his analysis in “The Problem of Social Cost.” Coase’s classic article and two chapters from Medema’s book will serve as the readings.

Day 14 – Keynes and Hayek Redux

Session 25 – Interpreting Keynes, Misinterpreting Keynes – Brad Bateman

Since the publication of Keynes’s 1936 *General Theory of Employment, Interest, and Money*, he and his work have been subject to repeated interpretation. In this session, we will consider why his work is so easily subject to re-interpretation and how this has, in turn, led to widely divergent understandings of his policy recommendations. The session will build upon a simple understanding of Keynes’s approach to economic modeling in his *General Theory* and finish with a close examination of his actual recommendations for economic policy in the years following the publication of the book. Readings are three chapters from Backhouse-Bateman.

Session 26 – The Abuse of Reason Project and *The Road to Serfdom* – Bruce Caldwell

At the start of World War II Hayek began work on *The Abuse and Decline of Reason*, in which he would trace the intellectual movements that, in his mind, led the world to its current horrific state. The chief villains were socialism and what he called “scientism,” the attempt to apply the methods of the natural sciences to engineer social phenomena. Hayek never completed his grand book project, but part of it was ultimately published as *The Road to Serfdom*. In this session we will examine both the arguments that Hayek was making in his oft-misunderstood book, and the context in which he developed his ideas. Readings include Hayek’s “Freedom and the Economic System” (an article that contains the core of his argument), and a piece by Caldwell on Hayek’s Abuse of Reason project.

Day 15 – Hayek’s Later Work, and Conclusions – Bruce Caldwell

In the first part of the final session we will examine Hayek’s work on complex self-organizing systems, and examine its implications regarding limitations faced by the social sciences, particularly in terms of our ability to predict. A goal will be to distinguish Hayek’s scientific ideas from the political circumstances in which they developed. Readings include an article by Hayek and parts of Caldwell’s book. In the final hour we will as a group reflect on what we have done, and what we might do differently to improve future summer institutes.

PROJECT FACULTY AND STAFF

Institute Director Bruce Caldwell is the Director of the Center for the History of Political Economy and directed the 2010 NEH summer institute. A former president of the History of Economics Society (HES), he is author of *Hayek’s Challenge: An Intellectual Biography of F. A. Hayek*, and serves as the General Editor of the book series, *The Collected Works of F. A. Hayek*.

Brad Bateman is Provost of Denison University. He is a leading expert on the economic

contributions of John Maynard Keynes. Brad is a past president of the HES and was a visiting faculty member at the 2010 NEH Summer Institute.

Bilge Erten received her PhD in economics from the University of Massachusetts at Amherst, and is currently a post-doctoral fellow at the Committee of Global Thought at Columbia University. Bilge was an outstanding participant at the 2010 NEH Summer Institute and is especially well-versed in the thought of Karl Marx.

Ryan Hanley is a political science professor at Marquette University. The author of *Adam Smith and the Character of Virtue*, he edited the Penguin Classics edition of Smith's *Theory of Moral Sentiments*.

Thomas "Tim" Leonard is an economics professor at Princeton University. Tim has written extensively on the role of American economists in Progressive Era and is concluding a much-awaited book on the influence of eugenics on labor relations during this period. He is secretary of the HES.

Steve Medema is an economics professor at University of Colorado Denver. He served for ten years as the editor of the *Journal for the History of Economic Thought*. Medema has written extensively on Coase, and his book on market failures, *The Hesitant Hand*, won the best book award of the European Society for the History of Economic Thought in 2010. A former president of the HES, he was a visiting faculty member at the 2010 NEH Summer Institute.

Malcolm Rutherford is an economics professor at Victoria University, British Columbia. A former president of the HES, he is the leading expert on American Institutionalism.

Carl Wennerlind is a history professor at Barnard College, Columbia University. He is co-editor of *David Hume's Political Economy*, and recently published *Casualties of Credit: The English Financial Revolution, 1620-1720*.

Craufurd Goodwin and E. Roy Weintraub are both distinguished members of the Duke economics faculty. Craufurd served for forty years as the editor of *History of Political Economy*, the premier journal in the field. Roy is a co-editor of the *Science and Cultural Theory* book series, one that publishes work on the history of natural and social science from a humanities perspective. His award-winning book *How Economics Became a Mathematical Science* (2002) charts the transformation of economics from a historical to a mathematical discipline. Both are former presidents as well as Distinguished Fellows of the History of Economics Society, and both participated as faculty in the 2010 Summer Institute.

The institute is being supported by the Center for the History of Political Economy, of which Bruce serves as the Director. The Center has an administrative assistant who will oversee setting up the conference and who will be on hand during the conference to see that it runs smoothly. In addition, we will use a graduate student to assist as needed with the conference.

PARTICIPANT SELECTION

Our intended audience is scholars with a liberal outlook on higher education drawn from economics, other social sciences and the humanities. The greatest strength of the 2010 institute was the diversity of views of the participants that emerged in engaging ways in the session discussions. We wish to reproduce a similar wealth of backgrounds, interests and approaches. The crucial requirement is that participants join the program with an interest and open mind for historical approaches and economic subject matter. Participants will be asked to provide letters of recommendation as well as statements of interest describing their background and why they would like to come to the Institute. Brad Bateman and Steven Medema, both faculty in 2010 summer institute, will join Bruce Caldwell on the selection committee.

The principal mode of promotion will be through online communication. We will contact a number of list-serv discussion groups in economics, the social sciences, and the humanities. We will also ask various prominent bloggers to promote the summer institute – we found this method to be particularly effective in reaching graduate students in the 2011 and 2012 institutes we ran. The websites for both the NEH and for the Center will, of course, also be used to promote the summer institute.

INSTITUTIONAL SUPPORT

Duke University is a major research university, well-known in the profession for the excellence of its economics programs. It has the facilities necessary for running a summer program, and a well-established summer programming office that will take care of the details: setting up housing in air-conditioned dormitories, providing ID cards to access the library, gym, tennis courts, offering various dining options, and so on. This will be the fourth summer in a row that we have run some sort of institute, so we know what must be done to ensure a pleasant and productive stay for our guests. The estimated cost of housing on campus for 21 days is \$850. For those who prefer, there are motels in walking distance that charge about \$80 a night, and some a short drive away that charge about \$55 a night.

Perhaps most important, Duke University is arguably the best place in the world to study the history of economic thought. No other university has five faculty members who are historians of economic thought. The premier journal in the field, *History of Political Economy*, is published here, and the archival holdings of the Economists' Papers Project are outstanding. It is the right place to host the Institute.

Appendix A. Readings

WEEK ONE

Contending Readings

Monday (day 1): Introductions

Session 1 – Introductions of Program and Participants – Caldwell

Session 2 – Introduction to the History of Economics and its Narratives – Weintraub

- E. Roy Weintraub, “How Should We Write the History of Twentieth Century Economics?”
Oxford Review of Political Economy, vol. 15, Winter 1999, pp. 139-52.

Tuesday (day 2): Mercantilism: Two Views

Sessions 3 and 4 – Caldwell and Wennerlind

- Thomas Mun, excerpts, *England’s Treasure by Forraign Trade*, reprinted in Steven Medema and Warren Samuels, *The History of Economic Thought: A Reader* (London: Routledge, 2003), pp. 30-44.
- Jacob Viner, “Mercantilist Thought” [1968], reprinted in *Essays on the Intellectual History of Economics*, ed. Douglas Irwin (Princeton: Princeton University Press, 1991), pp. 262-76.
- William Grampp, “The Liberal Elements in English Mercantilism,” *The Quarterly Journal of Economics*, vol. 66, 1952, pp. 465-501.
- Steve Pincus, “Rethinking Mercantilism: Political Economy, The British Empire and the Atlantic World in the 17th and 18th Centuries,” *William and Mary Quarterly*, forthcoming 2012.

Wednesday (day 3): David Hume, Enlightenment Polymath

Session 5 – David Hume, Philosopher and Social Theorist – Hanley

- David Hume, *A Treatise of Human Nature*, Book 3, part 2, chapters 1-7.

Session 6 – David Hume, Political Economist – Wennerlind

- David Hume, *Essay Concerning the Principles of Morals*, Sections I-III.
- David Hume, *Political Discourses*, Essays I-III.
- Margaret Schabas, “Hume on Economic Well-Being.” Forthcoming.

Thursday (day 4): Adam Smith

Session 7 – Smith and The Theory of Moral Sentiments – Hanley

- Adam Smith, *The Theory of Moral Sentiments*, Book 1, secs. 1 & 3; Book 2, sec. 2; Book 3, sec. 3, Book 4, sec. 1, and Book 6.

Session 8 – Smith and The Wealth of Nations I – Caldwell

- Adam Smith, *The Nature and Causes of the Wealth of Nations*, Book I, Chapters 1-4, chapter 5 (pp. 34-43, Stigler; pp. 47-56, LF); Chapters 6-7; Book II, Chapters 3 (pp. 351-65, Stigler; pp. 330-44, LF) and 4 (pp. 378-80, Stigler; pp. 356-58, LF) [Stigler refers to the University of Chicago Press one volume paperback edition; LF to the Liberty Fund paperback reprint of the Glasgow edition – either one is acceptable.]

Friday (day 5): Adam Smith

Session 9 – Adam Smith and The Wealth of Nations II – Caldwell

- Adam Smith, *Wealth of Nations*, Book IV, Chapter 1 (pp. 450-56, 468-73 Stigler; pp. 429-35, 446-51 LF); Chapter 2 (pp. 474-80, Stigler; pp. 452-59, LF); Book V, Chapter 1.

WEEK TWO (June 11 to 15)
Alternative Paradigms in the 19th Century

Monday (day 6): Marx, Engels, and Socialism

Session 10 – Introduction and Background on Hegel and Utopian Socialism – Caldwell

- Karl Marx, “Preface to *A Contribution to the Critique of Political Economy*,” excerpt, reprinted in Robert Tucker, ed., *The Marx-Engels Reader*, 2nd ed. (N.Y.: Norton, 1978), pp. 3-6.
- Karl Marx and Friedrich Engels, “The Communist Manifesto,” excluding section 3, in Tucker, 469-500.
- Friedrich Engels, “Socialism: Utopian and Scientific,” in Tucker, pp. 683-717.

Session 11– Marx on Value, Exploitation, and Transforming Values into Prices – Erten

- Marx, “Wage Labor and Capital,” (1849), excerpts, in Tucker, pp. 203-17.
- Marx, *Capital*, vol. 1 (1867), excerpts, in Tucker, pp. 329-36, 436-38.
- Moseley, Fred (2011) "Recent Interpretations of the "Transformation Problem"," *Rethinking Marxism*, vol. 23, April 2011, pp. 186-97.
- Dumenil, Gerard and Duncan Foley, "The Marxian Transformation Problem," *The New Palgrave Dictionary of Economics*, Second Edition, Edited by Steven N. Durlauf and Lawrence E. Blume, 2008, pp. 1-13.

Tuesday (day 7): More on Marx

Session 12 – The Laws of Motion of the Capitalist System – Caldwell

- No new readings.

Session 13 – Extensions and Applications: Primitive Accumulation and Crisis Theory – Erten

- Marx, *Capital*, vol. 1, part 8, Primitive Accumulation, excerpts, in Tucker, pp. 431-38.
- Shaikh, Anwar, "The First Great Depression of the Twenty-first Century" available at: <http://homepage.newschool.edu/~AShaikh/FirstGreatDepressionofthe21stCentury.pdf>
- Harvey, David, *The Enigma of Capital and the Crises of Capitalism* (N.Y.: Oxford University Press, 2010), pp. 40-118 (overview of crisis theories and an explanation of the current crisis)

Wednesday (day 8): The Marginal Revolution and Its Detractors

Session 14 – Background to the Marginal Revolution – Caldwell

- Mark Blaug “Was There a ‘Marginal Revolution’?,” *History of Political Economy*, vol. 4, Fall 1972, pp. 269-80.
- Philip Mirowski, “Physics and the ‘Marginalist Revolution’,” *Cambridge Journal of Economics*, 1984, vol. 8, pp. 361-79.
- E. Roy Weintraub, “Burn the Mathematics (Tripos),” *How Economics Became a Mathematical Science* (Durham: Duke University Press, 2002), chapter 1.

Session 15 – The Austrian School and its Opponents – Caldwell

- Bruce Caldwell, *Hayek’s Challenge: An Intellectual Biography of F. A. Hayek* (Chicago: University of Chicago Press, 2004), Chapter 1, pp. 17-27; Chapter 3, pp. 64-74, Chapter 4, pp. 92-99, and Chapter 5

Thursday (day 9): The Progressive Era and the American Institutionalists

Session 16 – The Progressive Movement and Economic Reform – Leonard

- Thomas C. Leonard, “American Economic Reform in the Progressive Era: Its Foundational Beliefs and Their Relation to Eugenics,” *History of Political Economy*, vol. 41, 2009, pp. 110-26; 128-35.
- Robert Fogel, “Academic Economics and the Triumph of the Welfare State,” AAU, 2000, pp. 1-12.

Session 17 - American Institutionalism in the Interwar Period: An Overview – Rutherford

- Malcolm Rutherford, *The Institutional Movement in American Economics, 1918-1947: Science and Social Control* (Cambridge: Cambridge University Press, 2011), chapters 1 & 2.

Friday (day 10): More on Institutionalism

Session 18 – American Institutionalism: Walton Hamilton and Creative Problem-Solving – Rutherford

- Malcolm Rutherford, *The Institutional Movement*, chapters 3 & 6.

WEEK THREE (June 18 to 22)
The Role of the State in the 20th Century

Monday (day 11): The Emergence of the Analysis of Market Failure

Sessions 19 and 20 – Medema

- Steven G. Medema, *The Hesitant Hand* (Princeton: Princeton University Press, 2009), chapters 2 and 3.
- J.S. Mill, *Principles of Political Economy* (London: Longmans, Green, 1848), (excerpts)
- Henry Sidgwick, *The Theory of Political Economy*, 3rd edn. (London: Macmillan, 1901), (excerpts)
- A.C. Pigou, *The Economics of Welfare*, 3rd edn. (London: Macmillan, 1932), (excerpts)

Tuesday (day 12): Keynes and Hayek: A First Look

Session 21 – Keynes and Bloomsbury – Goodwin

- John Maynard Keynes, “Economic Possibilities for Our Grandchildren” [1930], in *Essays in Persuasion* (New York: Harcourt Brace, 1932), pp. 358-73.
- John Maynard Keynes, “My Early Beliefs” [1949], in *The Bloomsbury Group: A Collection of Memoirs and Commentary*, ed. S. P. Rosenbaum (Cambridge: Cambridge University Press, 2006), pp. 48-64.
- Craufurd Goodwin, “The Art of An Ethical Life: Keynes and Bloomsbury,” in *The Cambridge Companion to Keynes*, eds. Roger Backhouse and Bradley Bateman (Cambridge: Cambridge University Press, 2006), pp. 217-36.

Session 22 – Hayek in the Interwar Years: Keynes, Socialism, and the Knowledge Problem – Caldwell

- Bruce Caldwell, “Editor’s Introduction,” in F. A. Hayek, *Contra Keynes and Cambridge*, vol. 9 (1995) of *The Collected Works of F. A. Hayek* (Chicago: University of Chicago Press), pp. 1-48.
- F. A. Hayek, “Socialist Calculation: The Competitive ‘Solution’” [1940], reprinted in F.A. Hayek, *Socialism and War*, ed. Bruce Caldwell (Chicago: University of Chicago Press, 1997), pp. 125-49.

- F. A. Hayek, "The Use of Knowledge in Society," *American Economic Review*, vol. 35, September 1945, pp. 519-30.

Wednesday (day 13): Keynes and Coase

Session 23 – Keynes and Philosophy – Bateman

- John Maynard Keynes, "The End of Laissez Faire," [1926] in *Essays in Persuasion* (N.Y.: Harcourt Brace, 1932), pp. 312-22.
- "Keynes as a Moral Philosopher" and "Perpetual Revolution", chapters 3 & 6 of Roger Backhouse and Bradley Bateman, *Capitalist Revolutionary: John Maynard Keynes*. (Cambridge; Harvard University Press), 2011.

Session 24 – Market Failure Revisted: The Coase Theorem – Medema

- Ronald H. Coase, "The Problem of Social Cost," *Journal of Law and Economics*, vol. 3, October 1960, pp. 1-44.
- Steven G. Medema, *The Hesitant Hand* (Princeton: Princeton Univ. Press, 2009), chapter 5.

Thursday (day 14): Keynes and Hayek

Session 25 – The General Theory – Bateman

- "The Rise and Fall of Keynesian Economics", "Keynes the Physician", "Keynes's Ambiguous Revolution", chapters 2, 4, & 5 of Roger Backhouse and Bradley Bateman, *Capitalist Revolutionary: John Maynard Keynes* (Cambridge: Harvard University Press, 2011).

Session 26 – The Abuse of Reason Project and The Road to Serfdom – Caldwell

- F. A. Hayek, "Freedom and the Economic System" [1939], reprinted in F.A. Hayek, *Socialism and War*, ed. Bruce Caldwell (Chicago: University of Chicago Press, 1997), pp. 189-212.
- Bruce Caldwell, "Editor's Introduction," in F. A. Hayek, *Studies on the Abuse and Decline of*

Reason, vol. 13 (2010) of *The Collected Works of F. A. Hayek* (Chicago: Chicago University Press), pp. 1-45.

Friday (day 15): Hayek's Later Contributions

Session 27 – The Economy as a Complex Order – Caldwell

- F. A. Hayek, “The Theory of Complex Phenomena” [1964], in F. A. Hayek, *The Market and Other Orders*, ed. Bruce Caldwell, vol. 13 (2013) of *The Collected Works of F. A. Hayek* (Chicago: Chicago University Press), pp. ____.
- Bruce Caldwell, *Hayek's Challenge: An Intellectual Biography of F. A. Hayek* (Chicago: University of Chicago Press, 2004), pp. 297-319; 370-405.

Summer Institute Wrap-Up – no readings